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MEMORANDUM FOR RECORD

SUBJ: Notes from Symposium with Seweryn Bialer (Director, Research Institute on International Change, Columbia University) at the Council on Foreign Relations, Tuesday, 17 February 1981

1. When Gierek came in in 1970 he instituted a new economic policy. This was a policy of developing exports through borrowing and building industrial plants that would manufacture export goods. Under this policy everything went well for the first five years. GNP increased 10-12 percent, the standard of living increased in real terms by about five percent.
2. Then in 1975 everything began to go to pot. The price of oil increased, there was a recession in the Free World, and the experiment in importing Western technology simply didn't work. Basically the Poles were unable to make the management changes that were necessary to take advantage of the technology.
3. Accordingly there was a sudden drop in the standard of living. The two years of '78 and '79 were years of negative growth. Gierek took no counter-measures, and with expectations dashed the workers became restive.
4. The second cause of the 1980 problems was the total collapse of the credibility of the communist party in Poland.
5. A third cause was the growing injustice, e.g. stores that only the party people could use and inequitable distribution of housing.
6. The fourth cause of the 1980 eruptions was the fact that the working class was a new working class, one that had not the same fear of the Soviets as the older people.
7. The reasons the 1980 upheaval succeeded were:
 - a. In 1950, 1970, and 1976 there were different measures of violence and disturbance. In 1980 it was an organized and well planned sit-in.
 - b. The demands of 1980 were not for broad policy changes but for structural changes that would lead to policy changes. The demands were not so out of reach as to be totally unacceptable.
 - c. The army was neutral. The present prime minister declared it wouldn't attack the strikers. This greatly increased the popularity of the army (and perhaps there is some reason to think the prime minister today can get away with more).
8. You cannot forget that politics in communist countries is equivalent to economics or decisions on how to divide up the resources. Since the unions are engaged in economic bargaining they are, in effect, engaged in the political process.

9. The Polish government will have to take two steps to improve the economic situation. The first is to decentralize; the second is to improve management. Any period of reform such as this, however, will cost time and money rather than increase productivity in the short term. The question is how will the government get the workers to accept increased austerity over that period of transition.

- a. The workers will not trust the government to carry out its promises.
- b. The workers will have to be given more local power and authority.
- c. This raises the question of whether the Soviets can tolerate that.

10. Soviet attitudes. In 1956 and 1968 the indigenous leaders were renegades and were ready to leave the Soviet Bloc. Hence the Soviets had no problem deciding to step in. The Polish leaders today are basically conservative politically, even if they are liberal or reformist economically. Hence the Soviets can tolerate this up to a point.

a. The problem is that the party doesn't really control the party and the union doesn't really control the union movement. For instance, even if Walesa has promised to go along with the 90 day haitus in strikes it is difficult to tell whether he can carry this out. There is too much euphoria in the union movement overall.

11. The best thing the union can do is try the _____ approach of gaining a little here and a little there. Obviously what the party is going to do is try a little evasion here and a little evasion there.

12. The Soviets are well aware of the costs of an invasion, e.g. detente, arms control, and assuming a great economic burden. They will invade under one of three circumstances:

- a. The situation inside Poland deteriorates into chaos.
- b. They see the reform movement just continuing to roll on with no set limits. The Soviets might be able to accept some new level of pluralism in Poland but they could not stand by and watch the communist ethic continually ebb away.
- c. The Polish leadership itself turns liberal (unlikely).

13. Financial aid. The Soviets have helped and must help more. The US should be anxious to see the development of free trade unions in communist countries. We should therefore be willing to give aid if the Soviets don't invade, and if the Poles agree to economic reforms. Units of aid should be based on their performance in economic reform.

14. If the Soviets invade: US reaction can't do much more than it has already. The European reaction could be significant. Initially these countries would increase defense spending, go along with TNF without arms

control talks, and cut economic relations and credits. They would be in a hard position not to do this since it would be the left wing of the socialist parties that have objected to all these steps, but which would have to be in basic sympathy with the workers in Poland. After about nine months the economic steps will wear off because of the attraction of trade with the Soviet Union and because of the desire of the FRG to maintain ties with the Germans in the east.

15. We can expect serious labor unrest in the Soviet Union in the 1980s.

a. From the 1920s to the 1950s the Soviets worked on controlling the peasants.

b. From the 1950s to the 1970s they worked on controlling the intelligentsia and the new professional classes.

c. In the 1980s they are going to have to try to control industrial labor. The problem will be the decline in the Soviet economy which will raise problems with this sector. The Soviets are not likely to deal with straight major labor troubles in the 1980s.

16. The critical things to watch:

a. The end of the 90 day cooling off period.

b. The Polish Party Congress which is scheduled for this spring or perhaps early summer. It will give an indication to the Soviets whether the party can pull itself together and achieve order. If the liberals take over the congress it will be curtains.

17. Laws which are going to be passed by the Polish Parliament, perhaps this summer will define the shape of the reform movement. Their character will give an indication of how serious things are ahead.

18. There are real risks of fissures in the Western Alliance if the Soviets do invade and West Europe then begins to ease back on controls on the Soviets. There will be great pressure for them to do this, particularly the Germans; the lure of trade; and the general lack of confidence in US military posture.

19. Polish military forces are not so sure to resist now as they were last summer. They are divided into three categories.

a. A group of elite troops that will fight along with about 40,000 militia, especially if only a section of Solidarity is causing the problem.

b. A group of military who are basically neutral. They are the largest group. They will simply disintegrate when a crisis comes.

c. A group that will fight the Soviets.

d. In short with a new prime minister it is more likely that there won't be as much resistance but there will be lingering guerrilla activity for a long time.

20. What would be the impact on the Soviet Union of invading Poland?

a. The man on the street will basically be happy; he has no sympathy with the Poles. The Russians have helped them and subsidized them for years and received no gratitude in response. On top of that the Poles have a higher standard of living.

b. As far as the Soviet leadership is concerned it will lead to a tightening of controls to lessen freedoms. It raises the spector of even someone like Andropov replacing Brezhnev.